

Message Text

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C O N F I D E N T I A L SECTION 01 OF 04 JIDDA 6528

FI CHANNEL

E.O. 11652: GDS
TAGS: ASIG, SA
SUBJECT: POST MEMORANDUM - JIDDA

REF: STATE 211869

I. STATE OF RELATIONS WITH SAUDI ARABIA: RELATIONS BETWEEN THE US AND SAUDI ARABIA ARE EXCELLENT. THE SPECIAL RELATIONSHIP IS, IF ANYTHING, STRONGER THIS YEAR THAN LAST. THE PRESIDENT HAS LEVED UP TO HIS COMMITMENT TO SELL 60 F-15'S TO SAUDI ARABIA, WHICH HAS RENEWED AND CONFIRMED THE FAITH OF THE SAUDI LEADERSHIP IN THE US DESIRE TO MAINTAIN A CLOSE RELATIONSHIP WITH SAUDI ARABIA. ON THIER SIDE, THE SAUDIS HAVE PLAYED A MODERATING ROLE IN OPEC COUNCILS AND PUBLICLY SUPPORTED THE DOLLAR IN ITS WORST STRAITS. THAT DOES NOT MEAN HOWEVER, THAT THERE ARE NOT PROBLEMS.

II. ILLUSTRATIVE ISSUES AND PROBLEMS.

A. POLICY FORMULATION

1. POLITICAL ISSUES

A. THE SITUATION THAT MOST CONCERNS THE SAUDI LEADERSHIP
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AT THIS TIME IS THE INCREASING SUCCESS OF WHAT THEY PERCIEVE AS A SOVIET PLAN TO ENCIRCLE SAUDI ARABIA AND TO GAIN CONTROLE OF THE OIL FIELDS IN THE PENINSULA AND THE GULF. RECENT EVENTS IN AFGHANISTAN DISTURB THEM. THEY WERE DISAPPOINTED THAT THE US WAS NOT RESPONSICE TO THIR PLEAS FOR ASSISTANCE TO SOMALIA IN THE HORN OF AFRICA. THEY NOW SEE THE SOVIET PRESENCE AS HAVING LEAPED ACRWOSS THE GULF OF ADEN

TO PDRY, WHERE IT IS BEING RAPIDLY CONSOLIDATED ON THE VERY
BORDERS OF THE KINGDOM. THE CURRENT ESTIMATE IS THAT THE CONSOLIDATIO
N
WILL BE COMPLETE OR FAR ENOUGH ALONG IN SIX MONTHS TIME TO PRESENT AN
ACTIVE THREAT TO YAR, WHICH PDRY WISHES TO INCLUDE US IN A UNITED
YEMEN. THE SAUDI LEADERSHIP HAS PIINTEDLY INFORMED US ON SEVERAL
OCCASIONS THAT IT CONSIDERS YAR AS ITS FIRST LINE OF DEFENSE ANS WILL
COME TO ITS DEFENSE IF IT IS ATTACKED BY PDRY. THEY ARE ASKING THE
US TO ASSIST IN BUILDING UP YAR DEFENSIVE CAPABILITIES. WE
HAVE RSPONDED BY DEVELOPING WITH SAG A PLAN FOR ACCELERATING THE
CURRENT MILITARY ASSISTANCE PROGRAM. HOWEVER, THE SAG WANTS A
LARGER PROGRAM (ALTHOUGH NOT AS LARGE AS THE YARG WANTS) AND A US
MILITARY PTRAINING MISSIONIN THE YAR.
THIS ISSUE WILL B THE BIGGEST, AND
POTENTIALLY MOST SERIOUS, POLITICAL ISSUE BETWEEN SAUDI ARABIA
AND THE US OVER THE WEEKS AND MONTHS AHEAD. THE FOREIGN MINISTER
HAS ALREADY TOLD US THAT, IN THE SAG VIEW, DECISIONS ABOUT YAR
ARE MOST IMPORTANT THAN DECISIONS AT CAMP DAVID. WE HAVE REPORTED
EXTENSIVELY ON THIS ISSUE.

B. A SECOND PROBLEM BETWEEN SAUDI ARABIA AND THE
UNITED SATES IS THAT OF MIDDLE EAST PEACE. IN CONTRAST TO THE
RADIACAL ARAB STAES, SAUDI ARABIA HAS ADVOCATED A SEARCH FOR PEACE
THROUGH DIPLOMATIC MEANS, RATHER THAN THROUGH WAR. IT HAS (1)
SUPPORTED SADAT AND THE MODERATE ARABS IN THER RELIANCE ON THE
UNITED STATES TO HELP BRING ABOUT AN ARAB-ISRAEL SETTLEMENT AND
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(2) PRESSED THE US TO PLAY A MORE ACTIVE ROLE IN THE PEACE PROCESS.
THEY WERE ENTHUSIASTIC ABOUT CAMP DAVID MEETINGS BECAUSE IT
SIGNIFIED THE MORE ACTIVE US ROLE THAT THEY HAD PUSSHED FOR.
THEY TAKE AT FACE VALUE US REASSURANCES THAT IT WILL STICK TO
ITS COMMITMENTS TO A PEACE BASED ON THE PRINCIPLES OF ISRAELI
WITHDRAWAL AND PALESTINIAN RIGHTS.
ON THE QUESTION OF PALESTINIAN RIGHTS, THEY WANT SOMETHING THAT
LOOKS LIKE SELF DETERMINATION. ALTHOUGH NOT AS IMPORTANT AS
THE SOVIET THREAT FROM PDRY, MIDDLE EAST PEACE WILL CONTINUE TO
BE AN IMPORTANT ISSUE BETWEEN OUR TWO COUNTRIES. WE HAVE
REPORTED EXTINSIVELY ON THIS ISSUE.

C. WE ARE COOPERATING WITH SAUDI ARABAIA IN MODERNIZING ITS
MILITARY FORCES. THE CURRENT PRESSING PROBLEM IS THE ONE
RELATING TO CONDITIONS OF FOREIGN MILITARY SALES. SAUDI ARAIA
PRUCHASES SO MUCH FROM US AND ON A CASH BASIS THAT IT FEELS THAT IT
SHOULD NOT BE SUBJECTED TO THE SAME CONDITIONS AS OTHER
PRUCHASERS. THEY SAY THAT THE FORM OF THE LETTERS OF AUTHORIZATION
IS COUCHED IN SUCH TERMS AS TO PLACE THE PRUCHASER AT THE MERCY
OF THE SELLER. THE OPTION FOR ALTERING DELIVERY DATES, SETTING
PENALTIES FOR DELAYED PAYMENTS, EXERCISING CONTROLS OVER DELIVERED
EQUIPMENT AND INCREASING THE PRICE TAG RESTS WITH THE SELLER.

WE EXPECT TO HEAR MORE ABOUT THIS.

2. ECONOMIC AND COMMERCIAL ISSUES

A. OIL OVERSHADOWS ALL OTHER ISSUES IN OUR RELATIONS WITH THE SAUDIS. THE SAUDI GOVERNMENT ALREADY CONTROLS THE KEY DECISIONS ON THE BALANCE (OR LACK OF IT) BETWEEN SUPPLY OF OIL AND DEMAND FOR IT ON A WORLDWIDE BASIS. NO OTHER PRODUCER HAS THE EQUIVALENT CAPACITY TO CONTRACT OR EXPAND PRODUCTION. AS THE KEY "SWING PRODUCER", SAUDI ARABIA'S PRODUCTION AND PRICE POLICIES STAND TO BECOME INCREASINGLY CRITICAL TO THE ECONOMIES OF THE US AND THE REST OF THE INDUSTRIALIZED WEST OVER THE NEXT FIVE TO EIGHT YEARS. PERHAPS OUR GREATEST SINGLE CONCERN AT THE MOMENT IS THE ADEQUATE INVESTMENT IN EXPANDED PRODUCTION FACILITIES
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BE UNDERTAKEN IN TIME TO MEET ANTICIPATED WORLD DEMAND GROWTH. MANY OBSERVERS EXPECT THAT THE ECONOMIES OF THE WORLD WILL REQUIRE A DOUBLING OF SAUDI PRODUCTION BY 1985. GIVEN THE LONG LEAD TIMES INVOLVED IN DESIGN AND CONSTRUCTION OF NEW CRUDE OIL PRODUCTION AND TRANSPORTATION FACILITIES, ONE OF OUR HIGHEST PRIORITIES WILL BE TO ENCOURAGE AN EARLY DECISION TO MOVE FORWARD WITH THIS CAPACITY EXPANSION. ON THE PRICE FRONT,

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WE CONTINUE TO URGE MODERATION, EMPHASIZING THE FRAGILE STATE OF THE

WORLD ECONOMY AND THE SPECIAL RESPONSIBILITY OF THE SAUDIS AND OPEC TO MAINTAIN A CONSTRUCTIVE POSITION. WHILE IT IS PROBABLY UNREALISTIC TO HOPE FOR A CONTINUED FREEZE IN OIL PRICES IN CURRENT TERMS, WE ARE ATTEMPTING TO KEEP THE POWERFUL SAUDI VOTE ON THE SIDE OF THE PRICE "DOVES".

B. FINANCIAL RELATIONS, THE OTHER SIDE OF THE OIL EQUATION, ARE UNDERGOING A PERIOD OF TRANSITION. THE 1974 OIL PRICE INCREASE OUGHT THE SAUDIS BADLY PREPARED TO SPEND THEIR VASTLY AUGMENTED INCOME, PILING UP OVER \$60 BILLION IN OFFICIAL FOREIGN EXCHANGE HOLDINGS AND ASSETS. THEY HAVE SINCE MANAGED TO INCREASE THEIR EXPENDITURE RATES IMMENSELY. IN FACT, SAUDI ARABIA IS ENCOUNTERING TEMPORARY CASH FLOW PROBLEMS AS A RESULT OF INADEQUATE GOVERNMENT BUDGET CONTROLS AND LOWER THAN ANTICIPATED OIL OUTPUT. THE ARGUMENT THAT THE SAUDIS NEEDED ONLY A FRACTION OF THEIR OIL SALES TO FINANCE PLANNED DOMESTIC DEVELOPMENT SEEMS TO HAVE BEEN OVERTAKEN BY EVENTS AS THE ECONOMIC (AND SOCIAL) COSTS OF SUCH DEVELOPMENT HAVE ESCALATED RAPIDLY, AND SAG HAS PROVEN UNWILLING TO DIP INTO RESERVES TO FINANCE SUCH EXPENDITURES. IN THE FUTURE, SHOULD OIL REVENUES AGAIN VASTLY OUTSTRIP DEVELOPMENT SPENDING NEEDS, IT IS LIKELY TO FUEL DEBATE WITHIN THE SAG AS TO THE DESIRABILITY OF CONTINUING TO PILE UP FOREIGN FINANCIAL
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ASSETS SUBJECT TO DEVALUATION AND INFLATION. IN TERMS OF MANAGING THE ALREADY HUGE POOL OF FOREIGN ASSETS, THE SAUDIS ARE AWARE THAT IN PLACING THEIR SURPLUSES IN THE U.S., OR IN DOLLAR-DOMINATED ASSETS, THEY ARE HELPING BOTH THEMSELVES (NO OTHER MARKET OFFERS THEM EQUIVALENT INVESTMENT OPPORTUNITIES) AND SUPPORTING THE CENTRAL FREE-ENTERPRISE ECONOMY OF THE WORLD. THE SAUDIS BELIEVE STRONGLY IN THE FREE-ENTERPRISE SYSTEM, AND RECOGNIZE THEIR STAKE IN KEEPING IT AND THE WORLD ECONOMY FUNCTIONING SOUNDLY.

C. COMPETITIVENESS OF U.S. FIRMS; MAINTENANCE OF U.S. MARKET SHARE: ANOTHER MAJOR GROUP OF ISSUES FACING THE ECONOMIC/COMMERCIAL SECTION ARE THOSE RELATING TO POTENTIAL EROSION OF THE CURRENTLY DOMINANT U.S. MARKET POSITION. THESE ARE:

1. NONCOMPETITIVE PRICING AND DIFFICULTY IN COMMUNICATING WITH THE MARKET HAVE TENDED TO ERODE THE STRONG AMERICAN POSITION;
2. POTENTIALLY SEVERE PERSONAL INCOME TAX BURDENS ON EXPATRIATES;
3. BOYCOTT PROBLEMS;
4. SAUDI GOVERNMENT INTRANSIGENCE ON THE QUESTION OF ACCEPTANCE OF INTERNATIONAL ARBITRATION.

D. COMMERCIAL/ECONOMIC MANAGEMENT REVIEW: A COMMERCIAL

PROMOTION AND MANAGEMENT TEAM ARRIVED AT JIDDA ON SEPTEMBER 10 TO CONDUCT A SURVEY AND REVIEW WITH THE EMBASSY AND CONSULATE GENERAL WAYS AND MEANS TO IMPROVE AND AUGMENT THE MISSION'S COMMERCIAL SERVICES FOR AMERICAN BUSINESS VISITORS WITH AN EYE TO INCREASING U.S.-SAUDI ARABIAN TRADE. THE VISIT FOLLOWS FROM RECOMMENDATIONS MADE BY THE INSPECTOR GENERAL OF THE FOREIGN SERVICE IN APRIL 1978 AND DISCUSSIONS WITH NEA/EX. IT SHOULD ALSO BE NOTED
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THAT, SO FAR AS THE POST IS AWARE, IT HAS NEVER BEEN INFORMED ABOUT THE CONCLUSIONS REACHED BY A JOINT USDOC-STATE TEAM WHICH VISITED THE KINGDOM IN SEPTEMBER-OCTOBER 1976. THE TEAM'S PURPOSE WAS TO INSPECT THE "COMMERCIAL FUNCTION" AS CARRIED OUT BY THE MISSION.

B. MISSION MANAGEMENT: PERSONNEL

DURING THE SUMMER OF 1978, THERE WAS AN EXTENSIVE TURNOVER OF EMBASSY PERSONNEL WHICH REDUCED THE STAFF CONSIDERABLY IN ALL SECTIONS. A NUMBER OF OFFICERS DEPARTED POST BEGINNING IN EARLY SPRING AND, SINCE REPLACEMENTS WERE NOT ARRIVING UNTIL SEPTEMBER, THE POST WAS LEFT CRITICALLY SHORT OF PERSONNEL.

DURING THIS PERIOD, THE POST HAD TWO VISITS BY AMBASSADOR-AT-LARGE AHERN IN TAIF, VISITS BY UNDER SECRETARY NEWSOM OF POLITICAL AFFAIRS, UNDER SECRETARY COOPER FOR ECONOMIC AFFAIRS, DEPUTY ASSISTANT SECRETARY OF DEFENSE MURRAY AND NUMEROUS OTHER VISITORS, INCLUDING CONGRESSMEN FLYNT AND SIKES, WHICH REQUIRED THE FULL-TIME SERVICES OF OFFICERS ON BOARD. AN EFFORT SHOULD BE MADE TO SPREAD PERSONNEL MOVES OVER AS MANY MONTHS AS POSSIBLE TO AVOID SITUATIONS SUCH AS THE POST FACED DURING THE SUMMER MONTHS.

C. POLITICAL:

OUR BIGGEST PROBLEM IS ADEQUATE STAFFING, THE EMBASSY CURRENTLY HAS THREE OFFICERS (FSO-3, FSO-5, FSO-6) AND ONE AMERICAN SECRETARY IN THE POLITICAL SECTION. OWING TO THE PERIPATETIC NATURE OF THE GOVERNMENT AND THE GREAT DISTANCES INVOLVED, IT IS IMPOSSIBLE FOR THREE OFFICERS TO DO ALL THAT NEEDS TO BE DONE. WE ARE ABLE TO KEEP ABREAST OF THE KEY ITEMS IN EXTERNAL AFFAIRS AND POLITICAL AND MILITARY AFFAIRS, BUT REPORTING ON INTERNAL AFFAIRS IS SUFFERING AS ARE BIOGRAPHIC REPORTING AND LABOR REPORTING. WE NEED A FOURTH OFFICER. WE ALSO NEED ANOTHER SECRETARY.

D. ECONOMIC:

TWO OBSTACLES HINDER SATISFACTORY ECONOMIC AND COMMERCIAL REPORTING IN SAUDI ARABIA. FIRST, STATISTICAL DATA ARE SPARSE, INADEQUATE, INFREQUENTLY PUBLISHED, AND HARD TO FIND. A GREAT DEAL OF ENERGY
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MUST BE SPENT IN FERRETING OUT THE SAUDI OFFICIAL WHO MAY HAVE THE REQUIRED INFORMATION. EVEN MORE EFFORT MUST BE SPENT IN BUILDING UP THE OFFICIAL'S CONFIDENCE IN YOU SO THAT HE MAY BE INCLINED TO PROVIDE INFORMATION. THIS SITUATION IS NOT, OF COURSE, UNIQUE TO SAUDI ARABIA, BUT THE LOCAL CULTURAL CONSTRAINTS ARE RELATIVELY EXTREME. THE EMBASSY IS HOPEFUL THAT THE ADDITION OF A TREASURY ATTACHE TO THE JIDDA STAFF WILL PROVIDE INSIGHTS INTO FINANCIAL DATA, IN ADDITION TO THAT ALREADY AVAILABLE FROM TREASURY AND OTHER SOURCES IN THE U.S.

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THE EMBASSY HAS CONSTITUTED A PETROLEUM COMMITTEE COMPOSED OF REPRESENTATIVES OF THE ECONOMIC/COMMERCIAL SECTION, RIYADH AND DHAHRAN. VENUE ROTATES BETWEEN THESE THREE LOCATIONS. IN ADDITION TO IMPROVED COORDINATION IN PETROLEUM REPORTING, THIS MECHANISM HAS HAD OTHER POSITIVE SPIN-OFFS. INEVITABLY DISCUSSIONS AT THESE MEETINGS INCLUDE FINANCIAL AND ECONOMIC TOPICS NOT EXCLUSIVELY REFLECTING PETROLEUM INDUSTRY DEVELOPMENTS. AT A RECENT MEETING, FOR EXAMPLE, CERP REQUIREMENTS AND ASSIGNMENTS WERE A MAJOR TOPIC. THESE MEETINGS ALSO MAKE REGULAR TRAVEL TO THE THREE MAJOR CITIES OF THE KINGDOM A SCHEDULED ROUTINE FOR ECONOMIC OFFICERS

A SPECIALIST IN PETROLEUM AND ENERGY MATTERS IS EXPECTED TO JOIN THE EMBASSY SHORTLY.

E. CONSULAR AFFAIRS:
ONE OF THE IMMEDIATE PROBLEMS CONTINUES TO BE PROTECTION CASES. LACK OF NOTIFICATION OF ARREST, OCCASIONAL LACK OF CONSULAR ACCESS. AND AN ABSENCE OF INFORMATION AND SLOW JUDICIAL PROCESS COMPOUND

OUR RESPONSIBILITIES IN THIS AREA. THE CONSULAR CONVENTION PROPOSED BETWEEN SAUDI ARABIA AND THE U.S. IS AN ISSUE WHICH MIGHT GO FAR TOWARD RESOLVING PROTECTION PROBLEMS.

THE SHEER INCREASE IN NIV WORK HAS ALSO CREATED A PROBLEM
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AREA WHICH IS EXACERBATED BY UNDERSTAFFING. ISSUANCE OF 5,000 NIVS BOTH IN JULY AND AUGUST WAS AN INCREASE OF 52 PERCENT FOR JULY AS COMPARED TO LAST YEAR AND 230 PERCENT FOR AUGUST. AS POINTED OUT IN THE LAST CONSULAR PACKAGE, WE NEED A MINIMUM OF TWO ADDITIONAL LOCAL POSITIONS AND ONE OFFICER. THE VISA SCHEDULE OF RECIPROCITY ADDS TO NIV WOES SINCE VISITOR/BUSINESS VISAS ARE ONLY FOR ONE ENTRY -- THREE MONTHS -- WHICH MEANS REPEAT BUSINESS COMPLETE WITH TIME CONSUMING FEES.

NONE OF THE CONSULAR OFFICERS HAS RECEIVED LANGUAGE TRAINING ALTHOUGH THE POSITION OF SECTION CHIEF IS LANGUAGE DESIGNATED. THE SECTION CHIEF IS ALSO SEVERAL GRADE LEVELS BELOW HIS COUNTERPARTS IN OTHER AREAS OF THE EMBASSY AND IS EVEN BELOW THE ACTUAL GRADE DESIGNATED FOR THE POSITION.

THE PHYSICAL SECURITY ARRANGEMENTS ARE WEAK.

MORE SHOULD BE DONE IN OFFERING GUIDANCE AND MAKING CONSTITUENT POSTS MORE INTEGRATED INTO THE CONSULAR FAMILY. ALTHOUGH POSTS REMAIN IN CONTACT BY PHONE FOR VARIOUS PROBLEMS, IT WOULD BE BETTER TO INCREASE UNIFORMITY IN OPERATING PRACTICES. THE POOLING OF INFORMATION COULD BE BETTER, AND CERTAINLY SOME REPORTING ON LARGER ISSUES SUCH AS CORPORAL PUNISHMENT SHOULD BE BETTER COORDINATED.

F. ADMINISTRATION (GENERAL)

A MOST CONSPICUOUS, EXTENSIVE AND HERETOFORE UNSOLVABLE PROBLEM AFFECTING ALMOST EVERY SECTION IN THE EMBASSY IS OUR INABILITY TO SECURE AN ADEQUATE NUMBER OF REGULAR LOCAL EMPLOYEE POSITIONS NECESSARY TO FULFILL THE EMBASSY'S RESPONSIBILITIES PROPERLY. AS A RESULT, FOR SEVERAL YEARS, THE EMBASSY HAS HIRED A CADRE OF CASUAL (DAILY HIRE) EMPLOYEES. THIS HAS PLACED THE EMBASSY IN THE EMBARRASSING AND UNSATISFACTORY POSITION OF HAVING DIFFERING
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"CLASSES" OF LOCALLY HIRED EMPLOYEES. ACCORDINGLY, THE EMBASSY IS CONTINUALLY HAVING TO EXPLAIN TO ITS CASUAL HIRES WHY REGULARLY HIRED FSL EMPLOYEES GET SICK LEAVE, PAID VACATIONS, AND OTHER BENEFITS WHILE THE CASUALS DO NOT. IT HAS AFFECTED MORALE TO SOME

EXTENT AND HAS CERTAINLY PRECLUDED THE EMBASSY FROM RECRUITING BETTER QUALITY EMPLOYEES AMONG THOSE WHO WORK ON A DAILY HIRE BASIS. IN THIS REGARD, THE EMBASSY HAS RECENTLY EXPLORED VARIOUS ALTERNATIVES TOWARD RECTIFYING THIS PROBLEM. AT THIS TIME, THE MOST PROMISING ALTERNATIVE APPEARS TO BE A CONTRACT WITH OUR AMERICAN EMBASSY FACILITIES AND SERVICES ASSOCIATION. HOWEVER, CERTAIN POTENTIAL FINANCIAL LIABILITIES AS A RESULT OF THE SAUDI LABOR LAWS MAY REQUIRE THAT THE DEPARTMENT AGREE TO HONOR VALID CLAIMS BEFORE THIS ASSOCIATION COULD REALISTICALLY ASSUME THIS RESPONSIBILITY. WHATEVER ACTION IS ULTIMATELY TAKEN, A SOLUTION NEEDS TO BE FORTHCOMING SOON AND THE INSPECTORS' COMMENTS AND RECOMMENDATIONS IN THIS AREA WILL BE MOST APPRECIATED. THE EMBASSY IS FULLY AWARE THAT STATE DEPARTMENT EMPLOYMENT CONSTRAINTS HINDER THE POSSIBILITY OF A SIGNIFICANT EXPANSION OF OUR REGULAR FSL WORK FORCE.

HOUSING: THERE HAS BEEN ONLY A SLIGHT IMPROVEMENT TO ONE ON-COMPOUND HOUSE WITH THE ENCLOSURE OF THE CARPORT TO PROVIDE ADDITIONAL SPACE. THIS REQUIREMENT HAS BEEN REQUESTED FOR THE REMAINING HOUSES ALTHOUGH FUNDING WILL NOT BE PROVIDED BY FBO UNTIL LATER IN THE FISCAL YEAR OR EARLY PART OF FY-1979. EVEN WITH THIS SLIGHT IMPROVEMENT, MOST COMPOUND HOUSING IS BELIEVED TO BE OF A GENERALLY INFERIOR QUALITY. GOOD HOUSING IS USUALLY CONSIDERED ESSENTIAL AT ISOLATED, HARDSHIP POSTS AS A RECRUITMENT INCENTIVE. THIS POST IS OUTSIDE THE NORM. THE PREFAB HOUSES AND APARTMENTS ON THE COMPOUND ARE OLD, TERRIBLY CRAMPED, DIFFICULT TO MAINTAIN, AND ARE EXTREMELY DANGEROUS AS FIRE TRAPS.

THE POST SHARES WITH MANY POSTS ON THE ARABIAN PENINSULA THE PROBLEM OF UNREASONABLY HIGH RENTS. RENTS HAVE INCREASED DURING THE PST FEW YEARS AND JIDDA IS AT THE PRESENT PAYING \$44,000 TO \$47,000 A YEAR FOR NEW LEASED PROPERTY. UNFORTUNATELY, CONFIDENTIAL

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THIS UPWARD MOVEMENT IN PRICES SEEMS TO BE CONTINUING AND THE EMBASSY IS FORCED TO FIND ALTERNATIVE METHODS OF HOUSING ITS PERSONNEL.

ONE OF THE MORE PROMISING ALTERNATIVES IS THAT OF PURCHASING PREFABRICATED HOUSING WHICH COULD BE LOCATED ON THE EMBASSY COMPOUND. NEA/EX AND FBO HAVE DEVELOPED DETAILED PLANS IN THIS REGARD AND IT IS POSSIBLE THAT UNITS FOR APPROXIMATELY 15 FAMILIES MIGHT BE AVAILABLE FOR OCCUPANCY WITHIN THE COMING YEAR. EVEN WITH THE BUILDING OF THESE 15 UNITS, IT WILL BE NECESSARY FOR THE EMBASSY TO RETAIN SOME RENTAL HOUSING. NEVERTHELESS, A SUBSTANTIAL PART OF THE EMBASSY BUDGET WILL BE SAVED BY THIS RELOCATION. IT IS THE EMBASSY'S VIEW THAT THIS IMPORTANT PROGRAM SHOULD BE EXPEDITED.

SECURITY: A 400-MEMBER GOLF AND TENNIS CLUB ON THE EMBASSY

COMPOUND AND WEEKLY CHURCH SERVICES IN THE EMBASSY AUDITORIUM MAKE IT DIFFICULT TO CONTROL ACCESS TO THE COMPOUND AND THEREFORE REDUCE THE EMBASSY'S SECURITY LEVEL. WITH THE ARRIVAL OF THE NEW SECURITY OFFICER ASSIGNED TO JIDDA, THE EMBASSY PLANS TO REVIEW ITS PRESENT PHYSICAL SECURITY PROGRAM AGAIN AND SEEK TO IMPROVE IT WHERE FEASIBLE AND PRACTICAL. HOWEVER, WITH THE LACK OF COMMUNITY FACILITIES IN JIDDA, ISOLATING THE COMPOUND WILL NOT BE AN EASY OR NECESSARILY DESIRABLE ALTERNATIVE.

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G. PERSONNEL EVALUATION SYSTEM:

SUPERVISORS IN GENERAL ARE RESPONSIVE TO THE NEEDS OF BOTH AMERICAN AND FSL STAFF IN PERFORMANCE EVALUATION. A REVIEW PANEL IS CONSTITUTED AT POST AND HAS TAKEN SERIOUSLY ITS FUNCTION OF CORRECTING REPORTING DEFICIENCIES.

H. CONSTITUENT POSTS:

THE EMBASSY'S ACTIVITIES HAVE BEEN EXTENDED BY THE ESTABLISHMENT OF A LIAISON OFFICE AT RIYADH. ORIGINALLY CONCEIVED AS LIAISON WITH THE OFFICE OF UNITED STATES REPRESENTATIONS TO THE JOINT ECONOMIC COMMISSION (USREP), USLO/RIYADH HAS BEEN EXPANDED BY UNILATERAL DECISION. THE HOST GOVERNMENT IS AWARE OF THE EXPANSION BUT HAS NOT OBJECTED OR TAKEN OFFICIAL NOTICE. THE LIAISON OFFICE NOW IS IN FACT THE ADVANCE ECHELON OF THE EMBASSY IN ITS EVENTUAL MOVE TO RIYADH. THE GOVERNMENT SERVED NOTICE THAT ALL DIPLOMATIC MISSIONS WILL

MOVE TO THE CAPITAL CITY.

THE EASTERN PROVINCE IS SERVED BY THE CONSULATE GENERAL AT
DHAHRAN, CENTERED IN THE GROWING SAUDI INDUSTRIAL AND BUSINESS
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COMMUNITY ON THE ARABIAN GULF AND THE ALL-IMPORTANT PETROLEUM
COMPLEX AROUND ARAMCO.

COORDINATION AMONG OUR ASSETS AT DHAHRAN AND RIYADH IS GOOD,
BUT OBSTACLES REMAIN -- PRIMARILY DISTANCE AND POOR COMMUNICATIONS.

I. OTHER AGENCIES:

A. MILITARY: THE USG OPERATES MILITARY PROGRAMS IN THE KINGDOM
IN COOPERATION WITH THE THREE ARMED SERVICES -- ARMY , AIR FORCE
AND A FLEDGLING NAVY. IN ADDITION, A PROGRAM FOR MODERNIZING THE
SAUDI
NATIONAL GUARD (SANG) FALLS UNDER DEPARTMENT OF ARMY PURVIEW.
THESE PROGRAMS ARE REIMBURSED BY THE HOST GOVERNMENT.

B. DEVELOPMENT ASSISTANCE: AGREEMENT WAS REACHED BETWEEN
SAUDI ARABIA AND THE USG IN 1974 TO PROVIDE TECHNICAL ASSISTANCE ON
A REIMBURSIBLE BASIS. A JOINT COMMISSION ON ECONOMIC COOPERATION
WAS ESTABLISHED. WHILE THE OPERATION ARE SEMI-AUTONOMOUS AND MANAGED
JOINTLY BY THE TREASURY DEPARTMENT AND THE SAUDI ARABIAN MINISTRY
OF FINANCE AND NATIONAL ECONOMY, THE EMBASSY HAS BEEN INVOLVED IN
THE SENSE OF THE AMBASSADOR'S OVERALL RESPONSIBILITY FOR OVERSIGHT
AND POLICY DIRECTION. THE USREP NOW HAS 160 PERSONS IN ITS EMPLOY
SERVING SOME \$646 MILLION IN ECONOMIC AND HUMAN RESOURCE
DEVELOPMENT PROJECTS.

A GENERAL ACCOUNTING OFFICE TEAM WILL ARRIVE IN THE KINGDOM
ON SEPTEMBER 30 TO CONDUCT A REVIEW OF JOINT ECONOMIC COMMISSION
ACTIVITIES.

ECONOMIC DEVELOPMENT RELATED ASSISTANCE IS ALSO RENDERED
BY A RESIDENT STAFF OF THE UNITED STATES GEOLOGICAL SURVEY,
ALSO ON A REIMBURSIBLE BASIS. TECHNICAL ASSISTANCE AND PROJECT
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MANAGEMENT IS RENDERED BY THE CORPS OF ENGINEERS, SUPERVISING
CONSTRUCTION PROJECTS PRESENTLY TOTALLING \$6 BILLION.

III. EVALUATION OF ACCOMPLISHMENT OF POLICIES OR PROGRAM OBJECTIVES:

MOST OF THE GOALS AND OBJECTIVES SET FORTH IN OUR GOALS AND OBJECTIVES PAPER (JIDDA A-16, 1978) ARE OF A CONTINUING NATURE AND HAVE TO BE WORKED AT AND SOUGHT AFTER CONSTANTLY. IN THAT CONTEXT WE HAVE MADE CONSIDERABLE PROGRESS IN CARRYING THEM OUT. WE HAVE NOT BEEN TRULY THWARTED IN ANY OF THEM, WITH ONE OR TWO POSSIBLE EXCEPTIONS.

ONE NOTABLE EXCEPTION IS THE GOAL OF MAINTENANCE AND EXPANSION OF A MODERATE SAUDI ROLE IN THE ARABIAN PENINSULA AND THE THIRD WORLD. PART OF THAT GOAL WAS TO "TRY FOR CLOSE COORDINATION OF POLICIES TO LIMIT COMMUNIST INFLUENCE IN ASIA AND AFRICA.... BUT ON THIS POINT WE MUST AVOID GIVING THE SAUDIS THE IMPRESSION THAT THEIR ONLY ROLE IS TO PAY THE BILL FOR OTHER PLAYERS." THERE HAS BEEN MUCH DISCUSSION BETWEEN THE EMBASSY AND THE SAG ON THIS OBJECTIVE. SAG IS WILLING TO COORDINATE BUT WANTS ACTION INSTEAD OF TALK. IT FEELS FRUSTRATED THAT THE USG IS UNABLE FOR DOMESTIC CONSIDERATIONS TO RESPOND IN ANY MEANINGFUL WAY TO REQUESTS FOR COORDINATION. IN ADDITION, USG RESPONSES TEND TO REINFORCE, RATHER THAN DISPEL, THE IMPRESSION THAT WE VIEW THEIR ROLE AS ONLY TO PAY THE BILL FOR OTHER PLAYERS. THESE PROBLEMS ARE VERY MUCH INVOLVED IN THE ISSUE OF THE SOVIET THREAT DISCUSSED IN SECTION I ABOVE. WE HAVE REPORTED EXTENSIVELY ON THE SAUDIS FRUSTRATION.

ANOTHER OBJECTIVE WHICH HAS NOT BEEN ADVANCED IS TO "ENCOURAGE THE SAUDIS TO BRING WOMEN INTO THE ECONOMIC AND SOCIAL MAINSTREAM OF THE KINGDOM". BEGINNING IN MAY 1978, AN UPSURGE OF RELIGIOUS CONSERVATISM BROUGHT A CRACKDOWN ON THE EMPLOYMENT OF WOMEN IN THE KINGDOM, AND A LARGE NUMBER, MAINLY FOREIGNERS, HAVE BEEN DEPRIVED OF THEIR JOBS. WE HAVE BEEN TOLD REPEATEDLY BUT UNOFFICIALLY BY VARIOUS AUTHORITIES THAT THE CRACKDOWN IS ONLY TEMPORARY

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AND THAT THE MARCH TOWARD GREATER PARTICIPATION OF WOMEN IN THE WORK FORCE WILL BE RESUMED SHORTLY. WE AGREE WITH THE JUDGEMENT, BUT WE ARE NOT SURE HOW LONG "SHORTLY" IS.

IN OTHER AREAS OF HUMAN RIGHTS, PROGRESS IN ACHIEVEMENT OF OUR OBJECTIVES HAS BEEN EXTREMELY SLOW. IN THE CASE OF VISA ISSUANCE POLICIES, THE SAUDIS ARE STANDARDIZING PROCEDURES AND APPLICATION OF THE LAW. IN FACT, WE NOW SEEM TO BE BEGINNING TO SUFFER FROM ARBITRARY AND CAPRICIOUS APPLICATION.

PROGRESS HAS ALSO BEEN SLOW ON OUR OBJECTIVE TO PROMOTE AND PROTECT US CITIZEN INTERESTS. THE HANDLING OF ARREST CASES STILL REQUIRES AN INORDINATE AMOUNT OF TIME NOT ONLY OF THE CONSULAR SECTION BUT OF THE AMBASSADOR AND OTHER SENIOR OFFICERS IN THE EMBASSY. CASES USUALLY END SATISFACTORILY, AND WE HAVE HOPES OF EVENTUALLY ESTABLISHING CHANNELS OF COMMUNICATION FOR HANDLING THESE CASES MORE EXPEDITIOUSLY. PROGRESS IS BEING MADE IN THE

DEPARTMENT ON THE US NEGOTIATING POSITION FOR A CONSULAR
CONVENTION.

DURING THE RECENT OIL GLUT, OUR GOAL OF ENCOURAGING THE SAUDIS
TO MAINTAIN -- AND EXPAND -- OIL PRODUCTION HAS BECOME IN THE
SHORT TERM, MOOT. IN THE LONGER TERM, HOWEVER, EXPANSION OF SAUDI
OUTPUT IN THE 1980'S TO A LEVEL WHERE WE BLEEIVE WORLD DEMAND
WOULD WARRANT, REMAINS A KEY ISSUE. WE HAVE NOT YET BEEN ABLE
TO CONVINCE THE SAUDIS THAT INVESTMENT DECISIONS MUST BE MADE
NOW IN ORDER FOR ADEQUATED PRODUCTIVE CAPACITY TO BE ON-STREAM
BY THAT POINT IN THE 1980'S WHEN THE OIL-IMPORTING NATIONS
WILL NEED IT.
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